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WELFARE REFORM: THE IMPACT ON CALIFORNIA

Joel F. Handler

Introduction

The new welfare reform legislation, called the Temporary Assistance for Needy Families (TANF) Block Grant of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, is, not surprisingly, exceedingly complex. TANF not only replaces the AFDC program, but also affects a variety of other federal programs, including food stamps, other nutritional programs, Supplemental Security Income (SSI), child support enforcement, and child care. State authority over AFDC -- already considerable -- has been greatly extended by converting the federal entitlement into block grants. There are restrictions on the states under the block grants, but whether and how these restrictions apply depends on previously granted state waivers -- and 43 states have waivers. The legislation complex and many of the important provisions are unclear.

In this chapter, I will concentrate on ending entitlement status by requiring work and time-limits on welfare. I believe that these are the key provisions driving much of the current welfare reform. I will also discuss enforcing family values, restricting SSI benefits for children and other benefits for non-citizens, and maintenance of effort requirements on the states. After describing the basic provisions, I address the question: Will these reforms work? Here, I draw on the recent experience of the welfare-to-work programs, and look at the family values experiences in other states. I then discuss the likely

impact of the new law in California if the time-limits are enforced. In the final part, I raise questions as to the future of welfare reform.

Welfare-to work Requirements, Time Limits

Work requirements, enforced by time limits, is the principal method by which welfare is to be changed from a long-term entitlement which, it is believed, encourages dependency rather than self-sufficiency. States are required to develop plans whereby AFDC parents must be working within two years of going on welfare. By fiscal year 1997, 25 percent of families must be "engaged in work." The percentage requirement increases to 50 percent by 2002. Recognizing that former recipients may subsequently become unemployed, federal law also provides for a five-year cumulative limit on welfare. Prior to TANF, over thirty states had pending or approved waiver requests which imposed some form of time limit on welfare, although there is considerable variation among the states: some limits are absolute after two years; others provide for combinations of welfare and work for a limited period of time, and most states exempt families where the parent is disabled or incapacitated, or a parent is a minor attending school, or caring for a young child.

The consensus behind these provisions is that the "problem" of welfare is that recipients, without education or skills, rather than seeking to improve themselves and become self-sufficient, have children to get on welfare and stay on welfare, which then becomes a way of life from generation to generation. Welfare recipients, according to this stereotype, threaten both the two-parent family and the work ethic. Tough work requirements, enforced by time limits, will not only reduce welfare costs, but, more importantly, replace the permissiveness of the current system with the values of responsibility

and self-sufficiency. This will not only benefit the parents, but also provide positive socialization for the children.

Prior to the enactment of TANF, many states fielded welfare-to-work demonstration projects. It is the reported experience of these projects that is used to justify the current welfare-to-work reforms.¹ The argument is as follows: (1) There are plenty of jobs for those who want to work; (2) By taking any job, even an entry-level job, and sticking with that job, a person will move up the employment ladder; (3) The problem with welfare recipients is that they do not have the motivation or the incentives to leave welfare and enter the paid labor markets; and (4) The state programs have shown that recipients can be moved from welfare to work.

One of the most noteworthy projects is the California GAIN program -- the largest welfare-to-work program in the country -- and, in particular, the program in Riverside County.² In fact, the Riverside County program is becoming the standard-bearer, not only for proposed changes in California, but for the rest of the country. The GAIN results are hailed as successful -- that welfare recipients who work earn more than the controls, that welfare payments were reduced, and that the programs show a positive cost-benefit ratio.

When we look more closely at the results, they are indeed modest. Riverside had the best positive results -- the highest earnings and the greatest welfare savings. However, those in the experiment averaged less than \$20 per week more than the controls. We know from a variety of research that most welfare recipients supplement welfare with work and have monthly combined budgets of about \$1,000.³ Therefore, the difference between the Riverside experimentals and the controls (who are working off-the-books) is about 8.5 percent. Moreover, this difference came about because the experimentals were working longer hours rather than at higher wages.

Perhaps even more significant is the fact that despite the great efforts of the Riverside County Department, about *two-thirds* of the

experimentals were *not* working at the end of the three-year demonstration and almost *half never* worked during the entire three-year period. In other words, most recipients did not get jobs, and those that did, earned very little more than those who packaged welfare with work on their own. And Riverside was the best of the California GAIN projects.

In the other counties, smaller percentages of recipients were enrolled, or found work, or earned more than the controls. In 1992, only 4.4 percent of female recipients whose participation was mandatory were actually participating in a GAIN program. And this is the experience in the other states: many programs fail to show positive results, and for those that do, the results are very modest.

Why these modest results? The reason is that the welfare-to-work programs are totally misconceived as to who welfare recipients are, why they are on welfare, and how to help them become self-sufficient.

Most welfare recipients, contrary to the stereotype, are adults. They have small families (1.9 children, on average), and they are on welfare for relatively short periods -- two years, up to four years. Long-term dependency (5 or more years) is quite rare -- perhaps as low as 15 percent. However, there are multiple spells. Those who leave welfare often have to return. Furthermore, it turns out -- again contrary to myth -- that the largest proportion of welfare recipients are connected to the paid labor market. Many package work with welfare and the most common route off of welfare is via a job. In other words, at least for most recipients, there seems to be little or no problem with the work ethic.⁴

This raises a paradox. If so many welfare recipients are connected to the paid labor force, then why are so many cycling back and forth between work and welfare, and why do welfare-to-work projects have such modest results? The answer is the low-skilled labor market. Contrary to the assumptions behind the welfare-to-work reforms, wages for low-skilled jobs have been stagnating or

declining for the past couple of decades. Increasingly jobs are contingent or short-term, and without benefits. Despite the overall low unemployment figures, there is increasing evidence that, at least in this segment of the labor market, there are many more job applicants than available positions. Estimates vary from six applicants per job vacancy to as high as fourteen. Finally, employment mobility is also a myth. Whether or not true in the past, there is increasing evidence today that low-wage workers are not moving up the economic ladder.⁵

The returns from low-wage work are not improving, nationally as well as in California. Millions of people are working -- and working harder -- but wages continue to stagnate and income inequality is growing. Income inequality has grown substantially in California, and this is due primarily to the decline in income of poor individuals and households. Between 1967 and 1994, the median real earnings of males in bottom fifth of the income distribution declined 20 percent. For a while, the inequality in women's wages narrowed (primarily because of an increase in the hours worked), but then increased during the 1980s. The decline in real wages for the less skilled, less educated workers was especially pronounced for adults aged 24-35, with a high school diploma or less. The earnings for women who lack a high school diploma are particularly low; for example, female dropouts earn only 58 percent of male dropouts.⁶

Whatever the overall national trends -- and there is considerable evidence that the official unemployment rate of 5.1 percent vastly underestimates the number of people looking for work or looking for more work -- and despite the fact that California is showing signs of recovery, there is still a significant amount of unemployment in California. The 1989 recession produced the longest decline in employment since the Great Depression, with the heaviest losses in manufacturing and construction. There are still almost 1.2 million Californians out of work, considerably higher than 850,000 jobless in 1989. The official rate does not count discouraged or involuntary part-time workers. If the U.S. Department of Labor rate for the decline in labor force participation from 1989 to 1993

remained unchanged, then the number of unemployed in California would be 35 percent higher in 1993. If half of the part-time workers were considered involuntary, then another 370,000 would be added. Combining the two estimates, the unemployment rate in California would be 14.2 percent in 1993.

Another way of looking at the state employment situation is that between January, 1990 and 1992, the number of unemployment claims rose from 355,000 to 647,000. Even though a substantial number have exhausted their benefits, the number of claimants is 18 percent above the 1989 level.

There is considerable evidence that welfare recipients will not fare particularly well in the competition for jobs. Employers of low-skilled workers are looking for high school diplomas, work experience, and people or social skills.⁷ They often hire through networks, and, at least in California, prefer workers with similar ethnic backgrounds. African-Americans are at the end of the queue.⁸ Welfare recipients often lack the characteristics that employers favor, particularly the high school diploma and a steady work experience. Perhaps most significantly, welfare recipients are handicapped by being mothers of small children. In our research of women in the low-wage labor market, we are finding that job applicants do not disclose that they have small children. Not only are there the usual child care problems, but children get sick; there may be school or pre-school issues; and there is the difficulty of adjusting to shift work, overtime, and so forth. What the research shows is that welfare recipients are in tough competition for available jobs; the jobs that they get are low-paying, usually without benefits, and often short-term. And this is why most recipients are in and out of the labor market. But why welfare? Because in most states, they also do not qualify for Unemployment Insurance. Either they have not worked sufficient quarters, or, they have to quit for family reasons (e.g., lack of day care for shift work), which, in most states, is considered a voluntary quit. In other words, for these women, AFDC is the equivalent of unemployment compensation.

Once the conditions of the low-wage labor market are factored in, it is easy to see why work-to-welfare demonstration programs have such modest results. The major point is that these programs do not create jobs. Recipients who go through the programs compete with all other applicants for low-wage work. The Riverside County program was successful in "job development." This only meant that they persuaded local employers to look to the welfare department for referrals rather than placing ads in the local papers. While this was good for welfare recipients and the employers (who saved transaction costs) it excluded non-welfare job seekers. Moreover, the Riverside model emphasizes quick job search, a minimum of training (e.g., resume preparation, telephone interview techniques), and no education or basic training. Thus, it is no surprise that Riverside placements earn very little more than the controls earn on their own. Other programs that do emphasize education and training place recipients in better-paying jobs, but place fewer recipients and have much higher program costs. Alameda County spent more on education and training, placed recipients in higher paying jobs, but had a net loss per experimental.

Wisconsin realizes that welfare recipients are not going to make it in a job market without human capital investments, and is prepared to *increase costs* for its welfare-to-work program, that is, recognizing that AFDC with the work programs will cost more than AFDC by itself. But only a few states will probably take this path. There is very little federal money for work training -- according to the Congressional Budget Office, the new law falls \$13 billion short of having the necessary funds to implement welfare-to-work programs -- and California is not prepared to spend any significant amount for these purposes.

Assuming that a welfare recipient does find a job, she has to compete in the child care market. The crisis in child care -- especially for low-wage workers -- cannot be over-emphasized.⁹ Because of risks of *mediocre* child care, millions of infants, children, and adolescents are at high risk of being compromised both developmentally and in health. Yet, the current welfare reform

requires mothers of young children -- in some cases, infants three months old -- to enter the paid labor force. Child care centers are at capacity, and even if there are vacancies, the cost would be too high for welfare recipients. Most welfare recipients will be using unregulated relative or family day care. Even here, costs are high, and expenses -- as well as availability -- varies as children are younger and the mother has to take shift work.

How much do families pay for child care? In 1990, the average working-poor family paid \$38 per week, which represented a third of their household income. How much does this buy? Even mediocre center-based care averaged \$95 per week per child. The new federal law does provide more funds for child care, but again, according to the Congressional Budget Office, the amount is \$1.4 billion short of what is needed.

Then, there is the issue of health care. Not surprising, poverty and health go together.¹⁰ There are more reports of physical limitations and poor health among low-income people as compared to the middle class. Poor health of either the parent or the children has an impact on the ability to work. Because of poorer health, low-income people tend to use more health care than higher-income people; yet, they have greater difficulty getting health insurance and health care. AFDC recipients qualify for Medicaid, and under the new law -- as well as several of the state reforms -- Medicaid continues for a period, but no more than a year. In the meantime, fewer low-wage employers are providing health insurance, especially for family members. The number of Americans without health insurance is now more than 40 million. Access to health care for low-wage working mothers is becoming increasingly more difficult.

When we look at the characteristics of AFDC recipients, we readily see how disadvantaged they are in competing even for the low-wage, entry-level jobs -- they have low levels of education (half have not completed high school); they have major child care responsibilities; uneven or sparse work experience; and are disproportionately of color. Even if they do manage to find and keep

jobs, "the upper-bound estimate of their earnings should they work *full time-year round* . . . is no more that \$12,000-\$14,000. Given their family sizes, this level of earnings will not remove them from poverty." And this assumes full-time work. In fact, most recipients only find temporary jobs paying less than average wages. "Indeed, the typical former recipient earns about one-half of this 'outer limit' earnings level."¹¹

Family Values

The most common "family values" requirements are (1) requiring teen mothers to maintain satisfactory school performance and live with their parents; (2) no grants or reduced grants for children conceived while the mother was on welfare; and (3) requiring the mother to establish paternity. Space precludes an extended discussion of these provisions.¹²

As to the school requirement, there is no significant difference between teen mothers and their peers in terms of attendance, achievement, and graduation. For those who refuse to attend school, sanctions are ineffective. The reduced size of the average welfare

grant would not allow a teen mother to set up her own household, and very few live independently. There is virtually no significant relationship between welfare and having children.

The paternity requirement is thought to serve two purposes. The first would lead to increased child support, which would reduce welfare costs. And, second, if males knew that they would have to pay child support, they would modify their behavior. The lack of child support is, indeed, a significant social problem extending throughout society. And regardless of any impact on welfare, increased efforts should be continue. However, the chances of significantly reducing welfare costs are limited given the economic

circumstances of most of these fathers. There is also some evidence of resistance on the part of the mothers. For a variety of reasons, some prefer to deal with the fathers informally because more support will be forthcoming (no state deductions); better relationships will be maintained; and the men will avoid the hassles of the formal system. Others want to sever all ties with the men because of past abuse or fear of abuse.¹³

The Impact of Welfare Reform

Predictions as to the likely effects of major social legislation are always uncertain. Much depends on the state of the economy and the political climate. First, I will discuss the likely effects if the law is carried out as presently written, both nationally and in California. Then, I will offer some predictions, based on past experience.

In addition to the block grants (ending AFDC as an entitlement) and the work requirements and time limits, states are required to implement the "family cap" unless state legislation specifically opts out of this provision. There are also changes in several other programs that have an impact on the poor: food stamps, SSI, benefits for legal immigrants, and so forth. Most non-citizens would lose federal assistance. This includes AFDC for the first five years, with state options to deny benefits at any time. Non-citizens would not be eligible for SSI and food stamps. SSI for children would be restricted. Food stamps would be modified to reduce benefits.

When the legislation is fully phased in, current spending on the social safety net for the lowest income group would be reduced by \$16 billion per year. Full implementation will occur in 2002, when the five-year AFDC time limit takes place. According to the Urban Institute Study, AFDC spending would be reduced by \$5.3 billion, with nearly one million families losing all benefits.¹⁴ SSI spending is reduced by nearly \$5 billion (20 percent) with almost 900,000 people

receiving less benefits. About 850,000 families lose food stamps. The Urban Institute reports that with all of the cuts, one in ten families will have reductions in total income, averaging \$1,300 per year. About 2.6 million more persons will fall below the poverty line. This includes about 1.1 million children, an increase of 12 percent. The poverty gap would increase by about \$6 billion for all families. Almost half of these families are already in the labor force. According to the Urban Institute, moving welfare families into the paid labor force would not dramatically affect these results, since most welfare recipients who do find work still remain poor.

What would be the impact on California? First, we need some numbers on the state of poverty and welfare. More Californians are poor today than were poor in the late 1960s. If we take the official poverty line (which most Americans think is too low), almost 5 million Californians or 15.8 percent of the population are poor, which is considerably larger than the California AFDC population -- 2.3 million, or 7.75 percent of the population. There are two basic causes for family poverty. One, which has been discussed, is the deterioration of the low-wage labor market. Between 1973 and 1990, the median family income declined by almost a third for families headed by parents under 30. The other -- for women -- is becoming a single-parent.

In 1990, 36 percent of female-headed households were poor as compared to only 8 percent of two-parent families. Most female-headed families suffer from the lack of child support, wage discrimination, and the great difficulty that single mothers have in working full-time in the paid labor force. While female-headed households are 10 percent of the population, they account for more than a third of the poor, and more than half of the increase in poverty since 1990. Female-headed households represent more than half of households in poverty. In California, nearly 20 percent of all children -- over 1.5 million -- live in AFDC families.

In 1993, the average monthly AFDC enrollment in California was 700,000 adults and 1.6 million children. About 94 percent of the

parents are 20 years or older; the average age is 29. The average number of children per family is 2. Forty-five percent of the children are 5 years old or under; almost a third are 3 years old or under. About a third are Latinos, 30.7 percent white; 17.2 percent African-American, and 10 percent Asian. In 1994, the maximum benefit for a 3-person family was \$607 per month. In real terms, this represents a 30 percent reduction in benefits since 1980. Counting food stamps (\$292 maximum per month), a family of three would still be about 20 percent below the poverty line. California now spends \$2.73 billion of state funds and \$143.5 million of county funds on AFDC benefits, and \$485.2 million of state funds on administrative costs. The state will lose \$11.4 billion over 5 years -- \$2.8 billion from AFDC, \$6.9 billion from the various immigrant provisions; \$1.4 from food stamps; and \$.23 from child and SSI provisions.

In light of the previous discussion about the state of the low-wage labor market, especially in California, but also pretty much true throughout the country, a significant number of welfare recipients will not be able to permanently leave welfare via work. However, how many will actually be cut off -- whether under the two-year or the five-year rule -- depends, in part, on the size of the rolls. For a long time, AFDC rolls were growing. Now, as the economy continues to improve, rolls are declining. They are declining in California as well, although at a slower rate -- 4 percent vs. 9 percent on average. Whether rolls continue to decline or stabilize or increase depends ultimately on the economy.

Assuming that by 2002, there is no net growth in the California AFDC rolls, then of the 1.6 million children, approximately 36 percent are long-term recipients.¹⁵ Therefore, AFDC will be terminated for 575,000 children. If the economy slackens, and present AFDC growth resumes, then, in 2005, AFDC will be terminated for 994,000 children.

There are also separate California rules under federal waivers. Again, assuming present growth rates, under the paternity establishment requirements, 588,000 children will lose benefits; under

the denial of additional children born to current AFDC recipients, 433,000 children will be denied benefits. And 13,770 children born to unmarried mothers will be denied benefits until the mother turns 18. The combined effects of the AFDC cut-offs will affect 1,158,000 children. Under the SSI provisions, 14,500 disabled children in California will either lose benefits or be ineligible.

What will happen to these children? Since the majority of welfare recipients are short-term and leave when they obtain work, we can assume that most of the long termers will have the most difficulty in finding and keeping a job. Day care will be a significant problem. California already has a waiting list of 225,000 poor children for subsidized day care. Low-income working mothers have waited as long as two years to receive a subsidy for a toddler, and as long as one year for an infant. Not surprisingly, costs influence the quality of day care, and recent studies have shown that there is an extensive amount of poor to mediocre day care, and that children in poor to mediocre full-time day care -- especially infants -- are increasingly at risk developmentally and physically. Whether working or not, poverty will increase for this group, and poverty is the single most important predictor of poor outcomes for children -- abuse and neglect, poor health, school failure, teen pregnancy, crime, and delinquency.

One of the most serious problems -- virtually, a time-bomb ready to explode -- is the potential impact of the cut-offs on the foster care system.¹⁶ The existing state foster care system is in crisis. It is overloaded and under funded. For example, at the present time, there are approximately 60,000 children in the Los Angeles child welfare system which is about 20 percent more children than it was designed to accommodate. When AFDC was cut 6 percent in 1992, there was a 20 percent increase in the number of child abuse cases reported, and a 10 percent increase in the number of children who entered the child welfare system. If only a fraction of the children subject to the welfare cuts enter the foster care system, the costs will skyrocket. Assuming no change in AFDC rolls, then if half of the children who lose AFDC benefits need foster care, the cost to the state would be \$80 million additional funds per month. If only 10 percent need

foster care, the cost would be \$16 million per month. If 5 percent of these children are older, and have to go to group homes, then the cost would \$81 million additional funds per month. The Los Angeles County Director of Children's Services was quoted as saying that if only 1 out of 20 of these children ended up in the child protection service, the cost -- for Los Angeles County -- would increase by \$185 million. If no additional funds were available, every child protection worker would have to be laid off.

And the consequences for children in foster care are not good. Foster care children have higher rates of both acute and chronic medical and mental health problems, higher rates of growth problems, and three times the national average for asthma. In one study in California, nearly 80 percent of foster care children had emotional, developmental, or behavioral problems. Infants and toddlers were more likely to manifest developmental problems (motor, language, cognitive, and self-help concerns). Various studies have found that up to 60 percent of foster children suffer from moderate to severe mental health problems, and that 40 percent have physical health problems. In California, foster children are almost 10 times more likely to use mental health services and are likely to be hospitalized almost twice as long as other poor children. While foster children make up only about 4 percent of California's children, they account for 40 percent of Medi-Cal mental health expenditures.¹⁷

With the increase in poverty, greater numbers of children are entering the foster care system as a consequence of neglect. There is a greater prevalence of drug abuse among the parents and health problems among the children. In California, between 1984 and 1993, the number of children in foster care increased from 37,306 to over 85,000. The children are younger. 41 percent are African-American, an increase of 241 percent. The most common reason for placement has changed from physical and sexual abuse to neglect and abandonment, and the time in placement has increased by 25 percent. Increasing numbers of infants are entering the system, but remaining in care longer, thus decreasing their chances for adoption and

increasing their chances for multiple placements. Health and mental health problems increase with multiple placements.

Adolescents who have been in foster care are at high risk of educational failure, unemployment, emotional disturbance, and other negative outcomes. Although many of these adolescents were at risk before they entered the system, the system is unable to meet their needs or prepare them adequately for adult life. In short, the new welfare reforms will certainly increase the poverty and hardship for hundreds of thousands, if not millions, of California's children. Already these children are at high risk of failing to become successful productive adults. The odds will now be increased.

The likelihood of significant impacts on the child protection system is not far-fetched when one considers how close to the edge many AFDC families are living. One only has to look at the changing composition of the homeless population. Today, nationwide, more than a third of the homeless are families, an increase in 10 percent since 1985. Most of these families are headed by women. In addition to poverty and limited employment opportunities, these mothers often have suffered from personal traumas. In a recent study of homeless families in Massachusetts, 91.6 percent of the homeless and 81.8 percent of the housed mothers reported physical or sexual abuse at some point in their lives. Using conservative measures (e.g., excluding spanking, shoving, slaps), almost two-thirds of both groups reported violence by parents or caretakers, more than 40 percent were sexually molested, and 63 percent reported assaults by intimate male partners (included being punched, kicked, burned, choked, beaten, threatened or attacked with a knife or a gun, but excluded pushed, shoved, or slapped fewer than six times); and 25 percent reported physical or sexual attacks by non-intimates. AFDC provided at least some financial stability; families not on AFDC were far more likely to end up homeless than AFDC families.¹⁸

Who will bear these costs? The families, themselves, of course, but also government. We have not come to the point where

mothers and children are turned out of shelters and left to beg and die in the streets. Shelters, foster families, and group homes have to be paid. These are primarily local government costs. Just as the Federal Government is getting rid of the "welfare problem" by delegating it to the states, so too will state governments delegate the problem to the counties and municipalities. Delegation is a favorite technique of managing conflict in American politics. The hope of upper-level politicians is that the problem stays delegated.

The Future

If the past is any guide, *dramatic* changes will probably not occur in welfare. Throughout history, welfare policy has always been largely symbolic. Myths and stereotypes gain prominence; drastic reforms are enacted; but actual policy is usually decoupled from administration. There are many reasons, but usually the policies, as enacted, are too draconian and, more importantly, too costly in the end. In the late 19th Century, outdoor relief was never really abolished; in the late 20th Century, a long series of work reforms have never been implemented. Serious welfare-to-work programs -- including community-service jobs -- are more expensive than welfare, and so is shelter care and foster care.

Under the present reforms, there is plenty of room to fudge. AFDC rolls are declining, and this reduces the number of recipients that states have to place in work programs. In addition, the states can decide what constitutes work or "best effort," and can excuse up to 20 percent of the caseload. Furthermore, even if states do not meet their quotas, federal penalties are not likely. States were rarely, if ever, sanctioned for not meeting quality control requirements. There are always excuses, and state congressional delegations to press for relief from federal penalties. Similar considerations may well apply within states. Counties and municipalities will resist state-imposed welfare

costs. The usual practice in the face of these conflicting pressures is myth and ceremony. Some recipients will find jobs and leave welfare (whether as a result of the programs is another matter); some will be sanctioned; and everyone will proclaim success -- as long as welfare does not remain a salient political "crisis."

While I do not think that dramatic changes will occur, the subtle, low-visibility changes that have been happening over the past two decades will continue -- if not increase -- and this is very serious. I am referring to the continued, gradual erosion of benefits, either by failing to raise grants or actually imposing percentage cuts in benefits.

Other changes are also going on. States can always reduce rolls on the basis of fraud. As we have seen, virtually no family can live on AFDC alone. Most families supplement their income by off-the-books earnings and/or gifts from relatives and friends (including some child support). This vital, but extra income, is not reported; hence, all these families are vulnerable to sanctions. Sanctions reduce welfare costs. Even though poverty-related costs may show up elsewhere in another part of the county budget, that occurs at a different time and a different place. This low-visibility sanctioning can become increasingly serious if, as recently reported, states are considering privatizing their welfare systems. Then, state governments and their contractors will be under even more pressure to show a positive cost-benefit ratio.

This kind of welfare reform -- what Michael Lipsky called "bureaucratic disentanglement"¹⁹ -- is particularly insidious because increasingly, the victims have no redress. They no longer have the means to challenge field-level agency decisions. I am not thinking primarily of the end of the formal entitlement status; although not helpful, governments do have to act lawfully. Rather, the poor no longer have legal help. Although technically available, Legal Services was never able to handle the need, and now it is badly crippled.

As stated, welfare rolls are finally declining as the economy continues to improve. Hopefully, as Americans begin to feel better about their personal lives, and, as a result of the new legislation, the welfare crisis will begin to recede in the political conscious. Perhaps, then, some of the unfortunate consequences of present policies can be ameliorated.

What Can Be Done

1. Reforming the Low-Wage Labor Market. Since the great majority of welfare recipients are presently working, have recently worked, or are trying to work -- and will eventually leave welfare via work -- the most obvious reforms involve improving the low-wage labor market so that more jobs are available, and earnings and benefits are increased. Nationally, this means continuing to support the Earned Income Tax Credit, modest raises in the minimum wage, and providing health and child care benefits. Unemployment Insurance has to be reformed to take account of the changes in the labor market. California could assist these efforts in job creation and providing by child subsidies.

2. There will be great need to monitor the changes in the welfare programs. Many decisions have low-visibility. Charities and other organizations serving the poor should engage in systematic data-gathering -- the increase in the number of families needing shelter, food, and so forth, for example -- and publicize the impact of the welfare changes. Who is being required to work, and under what circumstances? Who is being sanctioned, and with what consequences? Are jobs available? What are the actual experiences of welfare recipients when they try to enter the low-wage labor market? What is happening to the children?

3. There is a great need for community-based, employment-related organizations that would provide information, post-employment support, monitoring, and advocacy services for the working poor. Most employment is obtained through informal networks, and many welfare recipients lack these connections. In addition, poor single mothers often need post-employment support when there are breakdowns in child care, or transportation, or children are sick. There is also a great need for information concerning the EITC, the health benefits, the availability and quality of day care, and related programs, such as disability and unemployment insurance. Community-based agencies could provide information, monitor health and child care services, and provide counseling and advocacy services for low-income working mothers.

¹ See, e.g., J.L.Hagan and I. Lurie, *Implementing Jobs: Progress and Promise* (SUNY, Albany: The Nelson A Rockefeller Institute of Government, 1994); James Riccio, Daniel Friedlander, and Stephen Freedman, et. al, *GAIN: Benefits, Costs, and Three-Year Impacts of a Welfare-to-Work Program* (New York: Manpower Demonstration Research Corporation, 1994).

² For a discussion of the California GAIN program, see J. Handler & Yeheskel Hasenfeld, *Reform Work, Reform Welfare*, ch.4 (Twentieth Century Fund, 1996).

³ Christopher Jencks, *Rethinking Social Policy: Race, Poverty, and the Underclass* (Cambridge, MA: Harvard U.Press, 1992), p.204.

⁴ Mark Greenberg, *Beyond Stereotypes: What State AFDC Studies on Length of Stay Tell Us About Welfare as a "Way of Life,"* (Washington, D.C.: Center for Law and Social Policy, 1993); Kathleen Harris, "Work and Welfare among Single Mothers in Poverty," *American Journal of Sociology* 99 (1993), pp.317-52; Roberta Spalter-Roth, Heidi Hartmann, and Linda Andrews, *Combining Work and Welfare: An Alternative Anti-Poverty Strategy* (Washington, D.C.: Institute for Women's Policy Research, 1994).

⁵ See Handler & Hasenfeld, *Reform Work, Reform Welfare*, ch.3.

⁶ Deborah Reed, Melissa Haber and Laura Mameesh, *The Distribution of Income in California* (San Francisco, CA.: Public Policy Institute of California, 1996)

⁷ Harry Holzer, *What Employers Want* (Russell Sage Foundation, 1996)

⁸ Roger Waldinger, *Black/Immigrant Competition Reassessed: New Evidence from Los Angeles* (Unpublished manuscript, UCLA Department of Sociology, 1995).

⁹ William Gormley, Jr., *Everybody's Children: Child Care as a Public Problem* (Washington, D.C.: The Brookings Institution, 1995); Handler & Hasenfeld, *Reform Work, Reform Welfare*, ch.6.

¹⁰ Barbara Wolfe, "Reform of Health Care for the Non elderly Poor," in Sheldon Danziger, Gary Sandefur, and Daniel Weinberg, eds., *Confronting Poverty: Prescriptions for Change* (Cambridge, MA.: Harvard U.Press, 1994), pp.253-88.

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¹³ Kathryn Edin, "Single Mothers and Child Support: The Possibilities and Limits of Child Support Policy," *Children and Youth Services Review* 17 (1995), pp.203-230; Irwin Garfinkel, "The Child-Support Revolution," *American Economic Association Papers and Proceedings* 84 (1994), pp.81-85.

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¹⁸ Ellen Bassuk, Angela Browne and John Buckner, "Single Mothers and Welfare," *Scientific American*, October 1966, pp.60-67.

¹⁹ Michael Lipsky, "Bureaucratic Disentitlement in Social Welfare Programs," *Social Service Review* 58 (1984), pp.2-27.